



GILL RANCH STORAGE

220 NW 2nd Avenue, Portland, OR 97209

March 4, 2016

VIA U.S. MAIL & E-MAIL

[UIC.REGULATIONS@CONSERVATION.CA.GOV]

Department of Conservation
801 K Street, MS 24-02
Sacramento, California 95814
ATTN: UIC Discussion Draft

Re: Pre-Rulemaking Discussion Draft Updated Underground Injection Control Regulations

Gill Ranch Storage, LLC (“GRS”) appreciates the opportunity to provide comments regarding the Division of Oil, Gas, and Geothermal Resource’s (“DOGGR”) Pre-Rulemaking Discussion Draft of Updated Underground Injection Control (“UIC”) Regulations.

GRS is an Oregon limited liability company formed in 2007 for the purpose of developing the Gill Ranch Gas Storage Facility (“Facility”), located primarily in Madera, California. GRS owns a 75% undivided interest in the Facility, and Pacific Gas and Electric Company (“PG&E”) owns a 25% undivided interest. The California Public Utilities Commission (“CPUC”) granted GRS’ and PG&E’s consolidated applications for certificates of public convenience and necessity on October 29, 2009, in Decision (“D.”) 09-10-035. With that Decision, GRS became the third independent storage provider (“ISP”) to enter California’s competitive natural gas storage market.¹ DOGGR issued a project approval letter for the Facility on September 2, 2010. GRS is the operator of the Facility, which began commercial operation in October 2010.

The Facility is located in a flat agricultural area, approximately eight miles east-northeast of the town of Mendota, and approximately 20 miles west of Fresno. It is staffed 24 hours per day with well-trained, experienced personnel. The Facility is comprised of three underground storage reservoirs which have a combined total storage capacity of approximately 20 billion cubic feet (“Bcf”),² injection and withdrawal wells, observation and monitoring wells, approximately five

¹ Wild Goose Storage, LLC and Lodi Gas Storage, L.L.C. entered the market before GRS. (D.97-06-091 (WGS) and D.00-05-048 (LGS).) Central Valley Gas Storage, LLC is the fourth ISP to provide natural gas storage service in California. (D.10-10-001.)

² GRS’ 75% ownership interest in the Facility includes 15 Bcf of storage capacity.

miles of injection/withdrawal pipelines, a compressor station with associated sophisticated computer-based monitoring and control facilities, dehydration equipment and an approximately 27-mile pipeline extending from the Facility to PG&E's Line 401.

GRS – at every level – is committed to a culture and operations that value public and worker safety as a first priority. Under the direction and supervision of its Executive Management Team, GRS has developed safety performance expectations, policy principles, and goals and objectives for safety performance, which are set forth in its Operator Safety Plan, including the Pipeline Safety Management System, which has been accepted by the CPUC. GRS' safety plans include performance metrics, and provide for frequent reviews and opportunity for workforce and other stakeholder input to ensure that GRS' safety operations and practices may, based on the best available information, be improved over time, as appropriate.

GRS appreciates DOGGR's efforts to update UIC regulations and provides the following comments regarding the Pre-Rulemaking Discussion Draft Regulations.

Further Clarification Regarding DOGGR Regulatory Proceedings Is Required

DOGGR presently is undertaking an effort to revise regulations governing DOGGR's underground gas storage program, in addition to the proposed update to the UIC regulations. Emergency regulations were adopted in February, and DOGGR recently posted pre-rulemaking discussion goals and questions to solicit input for proposals to further revise regulations for underground storage projects.

It is not clear whether the update to the UIC regulations is occurring separately or as part of the underground storage project regulation review. For example, the data requirements for underground storage projects and the UIC program are both governed by Title 14 California Code of Regulations ("CCR") Section 1724.7, and the mechanical integrity testing requirements in Title 14 CCR Section 1724.10 appear to apply to both programs. Given this apparent overlap, GRS requests that DOGGR provide further clarification regarding the scope of each regulatory effort, and the aspects of underground gas storage and wastewater disposal, covered by each.

Underground Storage Projects

To the extent the Pre-Rulemaking Discussion Draft Updated UIC Regulations would apply to storage projects, GRS suggests that the regulatory process for underground gas storage regulations would be best served through solicitation of input from a broad segment of stakeholders, including the gas storage industry. The design, construction, operation, and maintenance of gas storage facilities varies greatly as a function of the type of facility (depleted reservoir, aquifer, salt cavern, etc.), production history, product stored, facility age, maximum and minimum operating pressure, and so on. Accordingly, it is important to consider site-specific conditions and operations, which can vary greatly from one site to another. Costs and benefits of any new regulatory initiatives will likewise vary, possibly significantly, from one

facility to another, with overall cost impact likely lower on newer facilities. Thus, broad input to the rulemaking process will best serve all interested parties, including the public.

GRS further recommends that DOGGR consider adaption, in whole or in part, of the recently published American Petroleum Institute Recommended Practice 1171, "Functional Integrity of Natural Gas Storage in Depleted Hydrocarbon Reservoirs and Aquifer Reservoirs." This document is the culmination of a multi-year effort by the gas storage industry in the United States to develop state of the art practices for both existing and newly constructed gas storage facilities. This Recommended Practice was developed with broad industry input and support with a focus on risk-based analysis of the critical elements necessary to ensure gas storage integrity. As such, it establishes a foundation for ensuring the safe reliable operation of underground gas storage facilities.

UIC Program

With respect to the UIC program, GRS will continue to review and evaluate the Pre-Rulemaking Discussion Draft Updated UIC Regulations, and any subsequent DOGGR regulatory proposals, and will participate as appropriate in the rulemaking proceedings.

GRS reiterates its appreciation for DOGGR's efforts to update existing regulations, and respectfully requests that DOGGR consider and address the comments proposed herein. Additionally, GRS anticipates and looks forward to working with DOGGR and other stakeholders in this and any future regulatory efforts, including any rulemaking proposing to build on the emergency underground gas storage project regulations, or otherwise relating to underground storage and safety.

Very truly yours,

A handwritten signature in black ink, appearing to read "David A. Weber", is written over a horizontal line.

David A. Weber
President & CEO